

SENATE BILL 990

By McNally

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 5, Part 25, relative to certain properties
subject to a tax sale.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 5, Part 25, is amended by adding the following language as a new section:

67-5-2516.

(a) If property subject to a tax sale is determined to be insolvent as defined in subsection (b), this section shall constitute an alternative to other provisions of this part requiring a bid on behalf of a tax entity.

(b) For purposes of this section, a property is insolvent if the total amount of ad valorem taxes, penalties, interest, fees, and costs is less than the total known liabilities the tax entity would incur during the redemption period and one (1) year thereafter as a result of covenants running with the property that survive operation of § 67-5-2504(b), or is less than the total amount of other governmental liabilities secured by liens of record against the property.

(c) If the attorney prosecuting the suit believes a property is insolvent, the attorney may file a motion with the court requesting a determination that the property is insolvent under this section. If the court finds the property is insolvent, it shall relieve the tax entity of the obligation to bid at the tax sale.

(d) At any tax sale involving an insolvent property, no bid shall be placed on behalf of the tax entity, and the clerk shall open the bidding to private bidders at a minimum bid amount that shall include the total amount of ad valorem taxes, penalties, interest, fees, and costs, and the total amount of other governmental liabilities secured

by liens of record against the property. If no private bids are placed, the clerk may reduce the minimum bid amount in increments of ten percent (10%) until bidding begins. In the event that the winning bid amount is less than the initial minimum bid amount, the proceeds shall be applied in the same order as § 67-5-2501, then to any other governmental liens in lawful priority.

SECTION 2. Tennessee Code Annotated, Section 67-5-2507, is amended by adding the following language as a new subsection (c):

(c) No private contractual development covenants, development fees, or assessments shall accrue against a tax entity owning property which, if owned by a person would be subject to such requirements; provided the tax entity pursues and follows the provisions of this section. If the private entity which claims an assessment or dues against the property is not willing to exempt the property owned by the tax entity from development fees or assessment fees while in the possession of the tax entity, at the option of the private entity, the private entity may elect in lieu thereof to purchase the property from the tax entity for the amount necessary to satisfy the back taxes, costs, and fees applicable to the delinquent property sale. If the private entity purchases the property, a deed shall be issued in the name of the private entity. If the private entity fails to purchase the property, such failure constitutes a waiver of the private entity's claim for such fees and assessments.

SECTION 3. Tennessee Code Annotated, Section 67-5-2508, is amended by adding the following language as a new subsection (e):

(e) No private contractual development covenants, development fees, or assessments shall accrue against a tax entity owning property which, if owned by a person would be subject to such requirements; provided the tax entity pursues and follows the provisions of this section. If the private entity which claims an assessment or dues against the property is not willing to exempt the property owned by the tax entity from development fees or assessment fees while in the possession of the tax entity, at the option of the private entity, the private entity may elect in lieu thereof to purchase the

property from the tax entity for the amount necessary to satisfy the back taxes, costs, and fees applicable to the delinquent property sale. If the private entity purchases the property, a deed shall be issued in the name of the private entity. If the private entity fails to purchase the property, such failure constitutes a waiver of the private entity's claim for such fees and assessments.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.